

Date: 11 October 2016

**Item: Independent Investment Programme Advisory Group -
Review**

This paper will be considered in public

1 Summary

- 1.1 This report proposes a review of the role of TfL's Independent Investment Programme Advisory Group (IIPAG) and proposes Terms of Reference for such a review.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and endorse the Terms of Reference for the review of the role of Transport for London's Independent Investment Programme Advisory Group.**

3 Background

- 3.1 In June 2010, TfL acquired Tube Lines Limited, the then remaining Underground PPP company. This followed the acquisition in 2008 of all the assets of the entities running the other two Underground Public Private Partnerships (PPPs), known collectively as Metronet, and brought those three PPP arrangements for the maintenance, upgrade and renewal of the Underground under TfL's control.
- 3.2 The PPPs included a contractual regime whereby an independent PPP Arbiter collected and analysed benchmarking data relating to the performance of investment in the Underground under the PPPs. With the unwinding of those PPPs, there was no longer a role for the PPP Arbiter but it was, nevertheless, considered by the then Mayor, Secretary of State for Transport and TfL that there should continue to be expert independent scrutiny of work continuing the maintenance, upgrade and renewal of the Underground to ensure best value for the taxpayer.
- 3.3 In 2010, the then Mayor directed TfL to establish IIPAG to provide independent assurance and expert advice to the Mayor concerning TfL's Investment Programme, including all maintenance, renewal, upgrades and major projects, but not operational issues or the activities of Crossrail Limited.

- 3.4 IIPAG provides TfL's "third line of assurance" for TfL's capital programme within the "Three Lines of Assurance" framework devised by the Institute of Internal Auditors and recognised as good industry practice.
- 3.5 IIPAG agrees a work plan and budget annually with the Mayor and TfL and, under the revised Standing Orders approved by the Board on 22 September, their reports are shared with the Programmes and Investment Committee for consideration. IIPAG reports are also sent to the Secretary of State for Transport.
- 3.6 The current governance arrangements for IIPAG comprise:
 - (a) IIPAG Terms of Reference;
 - (b) Terms of appointment for IIPAG members;
 - (c) Code of Conduct for IIPAG; and
 - (d) Mayoral Decision and Direction, forming the basis of the remit for IIPAG.

4 IIPAG Review

- 4.1 Since the establishment of the current arrangements for IIPAG, there have been a number of changes and developments which mean that it would be appropriate to now review the operation and role of IIPAG:
 - (a) There have been significant changes to the structure of TfL;
 - (b) There have been significant changes to TfL's governance arrangements including the establishment of a Programmes and Investment Committee specifically to oversee the delivery of TfL's capital Investment Programme;
 - (c) There have been significant changes to TfL's assurance arrangements including a significant increase in the internal resource dedicated to project gateway reviews following recommendations from IIPAG;
 - (d) There has, over time, been considerable experience of the operation of IIPAG and its interaction with TfL which illustrates how IIPAG can best provide added value whilst maintaining an appropriately strategic level of input into TfL's operations;
 - (e) There is a need for greater transparency and openness in the way in which IIPAG operates to ensure that its costs are fully justified;
 - (f) There is a need to consider the cost of TfL's assurance activities in the round to ensure that we have the right resource and at the right level.
- 4.2 It is therefore proposed that a review should be carried out of the role and remit of IIPAG, making recommendations for the future of the group to ensure it can continue to support the efficient delivery of TfL's Investment Programme as changes to major project and programme governance are implemented.

- 4.3 Draft Terms of Reference for the review are appended to this paper. The review will look at the governance arrangements for IIPAG and the full range of IIPAG's activities. This will include consideration of the approach taken to IIPAG reviews, the prioritisation of projects and issues reviewed, the mechanism through which IIPAG reports its views and how to maximise the value for money and transparency of IIPAG's activities. Consideration would also be given to the mechanisms for tracking and monitoring the implementation of IIPAG's recommendations.
- 4.4 The activities to be reviewed are set out in detail in the attached proposed Terms of Reference but will include the following aspects of IIPAG's role:
- (a) IIPAG's activity to date;
 - (b) IIPAG's role in overseeing the Investment Programme;
 - (c) IIPAG's interaction with TfL's other assurance providers;
 - (d) IIPAG's role in benchmarking TfL costs;
 - (e) IIPAG's reporting requirements including arrangements to inform key stakeholders (eg Secretary of State for Transport and the London Assembly);
 - (f) the balance of IIPAG resource devoted to each area of its work; and
 - (g) the composition and structure of IIPAG.
- 4.5 It is recommended that the review should be led by a non-executive with significant programme and projects experience agreed with the Deputy Chair of the Board, who will make recommendations to the Mayor and the TfL Board.
- 4.6 There are various stakeholders with an interest in the way IIPAG operates and their input will provide the material necessary to inform the review's recommendations. The stakeholders include the Mayor and Deputy Mayor, members of the Assembly's Transport Committee, DfT, TfL and members of IIPAG.
- 4.7 Input would be welcome from the Committee on the proposal for a review, on the proposed Terms of Reference and on the leadership of the review.

List of appendices to this report:

Appendix 1: Proposed Terms of Reference for a Review of the Role of IIPAG

List of Background Papers:

Mayoral Direction establishing IIPAG – 28 October 2010
IIPAG Terms of Reference

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Proposed Terms of Reference for a Review of the Role of IIPAG

The purpose of the Review is to consider the role of TfL's Independent Investment Programme Advisory Group (IIPAG). The review will consider the role and remit of IIPAG, making recommendations for the future of the group that will ensure it can continue to support the efficient delivery of TfL's Investment Programme as changes to major project and programme governance are implemented.

The key areas to be considered in the review will include the following issues.

1. IIPAG's activity to date

- High level commentary on the outputs that IIPAG have produced, eg the annual report and benchmarking reports.
- Key successes, eg recommendations that have been adopted by TfL.
- Discussion around how IIPAG's advice has developed since their inception.

2. The interface between IIPAG and the second line of assurance

- Consideration of the options for IIPAG's role in assessing the effectiveness of the second line of assurance.
- An assessment of the way IIPAG will work with the second line of assurance on a day to day basis. This will, for example, cover the balance between the roles of IIPAG and the second line of assurance when undertaking project reviews.

3. IIPAG's role in overseeing the Investment Programme

- Defining the Investment Programme. For example, this could be limited to only infrastructure or expanded to include all capital spending or all large programmes of work.
- A range of options for IIPAG's role in overseeing the Investment Programme will then be considered. This will, for example, include at which level – ie projects/programmes/sub-programmes – IIPAG focus their reviews, which will be of particular relevance given recent changes to TfL governance.

4. IIPAG's role in benchmarking TfL's costs

- IIPAG's current role in benchmarking TfL's costs and how this has developed.
- An assessment of the ways in which benchmarking activity may be undertaken in future and the options for IIPAG's role in supporting this activity.

5. IIPAG's reporting requirements

- Current reporting requirements. An explanation of the ways in which IIPAG currently report their findings. This will cover both formal reporting requirements (eg the annual report) and the other ways in which they communicate with key stakeholders.
- An assessment of the different ways in which IIPAG might report on their findings in future and how these options fit with TfL's new governance structures.

6. The balance of IIPAG's workload

- It is important to ensure that IIPAG's limited resource is focused on those areas where they can add greatest value. This section will assess the balance of resource between systemic issues, project level reviews and benchmarking activity.
- Assess whether the balance between the second and third lines of assurance works and whether any changes are needed to reflect the recent expansion of the second line of assurance.
- Consider the ways in which IIPAG's remit with respect to projects might be defined. This is currently defined as projects with an EFC greater than £50m. The review will consider whether cost is a good trigger for an IIPAG review, what alternatives are available and how to provide sufficient flexibility.
- In defining IIPAG's remit and how to balance their workload, it is necessary to ensure that the new Programmes and Investment Committee have reasonable expectations on the advice they will receive from IIPAG.

7. Composition and structure of IIPAG

- Current members' skills and experience.
- The role of the chair and the skills needed from members to fulfil the planned remit.
- Identify skills gaps and areas of skills repetition among members.
- Succession planning and recruitment processes. Consideration of the way in which members are appointed and the length of their appointments.
- Consideration of member's remuneration and how this compares to other similar bodies.
- Assess how conflicts of interest have been managed.
- Consider the ways in which IIPAG might be resourced to undertake its remit.